

# Audit

# Report



OFFICE OF THE INSPECTOR GENERAL

DEFENSE BASE REALIGNMENT AND CLOSURE  
BUDGET DATA FOR THE CONSTRUCTION OF THE  
HAZARDOUS MATERIAL STORAGE ADDITION TO  
WAREHOUSE 28 AT DEFENSE DISTRIBUTION  
REGION WEST TRACY, CALIFORNIA

Report No. 96-165

June 17, 1996

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### **Acronyms**

BRAC	Base Realignment and Closure
DDRW	Defense Distribution Region West
DLA	Defense Logistics Agency
MILCON	Military Construction



**INSPECTOR GENERAL**  
**DEPARTMENT OF DEFENSE**  
**400 ARMY NAVY DRIVE**  
**ARLINGTON, VIRGINIA 22202-2884**



Report No. 96-165

June 17, 1996

**MEMORANDUM FOR DIRECTOR, DEFENSE LOGISTICS AGENCY**

**SUBJECT:** Audit of Defense Base Realignment and Closure Budget Data for the Construction of the Hazardous Material Storage Addition to Warehouse 28 at Defense Distribution Region West, Tracy, California (Project No. 6CG-5001.26)

**Introduction**

We are providing this report for your review. The audit was required by Public Law 102-190, "National Defense Authorization Act for Fiscal Years 1992 and 1993," December 5, 1991. Enclosure 1 provides details on the history of the Defense base realignment and closure (BRAC) process and on our auditing and reporting requirements.

This report is one in a series of reports about FY 1997 BRAC military construction (MILCON) costs. This report provides the results of the audit of a project, valued at \$8.4 million, for the construction of a hazardous material storage addition to warehouse 28 at Defense Distribution Region West (DDRW), Tracy, California.

**Audit Results**

The Defense Logistics Agency (DLA) properly planned, programmed, and documented the FY 1997 BRAC MILCON requirement of \$8.4 million for the project titled "Hazardous Material Storage Addition to Warehouse 28" at DDRW in accordance with DLA criteria and public law. DLA based the additional warehouse space requirements on DDRW calculations. DLA developed the project cost estimate from the Standard Corps of Engineer MILCON Cost Estimating Guidelines. DLA supported with adequate cost data the project estimates on the DD Form 1391, "FY 1997 Military Construction Project Data."

**Audit Objectives**

The overall audit objective was to determine the accuracy of BRAC MILCON budget data. The specific objectives were to determine whether the proposed project was a valid BRAC requirement, whether the decision for MILCON was supported with required documentation including an economic analysis, and whether the economic analysis considered existing facilities. Another objective was to assess the adequacy of the management control program as it related to the overall objective. The management control program objective will be discussed in a summary report on FY 1997 BRAC MILCON budget data.

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## **Scope and Methodology**

**Scope of This Audit.** We examined the FY 1997 BRAC MILCON budget request and related documentation regarding the construction of a hazardous material storage addition to warehouse 28 at DDRW. The project is estimated to cost \$8.4 million. We did not use computer-processed data or statistical sampling procedures to conduct this audit.

**Audit Standards and Locations.** This economy and efficiency audit was conducted during January and February 1996 in accordance with auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD. The organizations visited were DLA, Fort Belvoir, Virginia; DDRW, Tracy, California; and Defense Distribution Depot Ogden, Utah.

## **Prior Audits and Other Reviews**

Since 1991, numerous reports have addressed DoD BRAC issues. Enclosure 2 contains a summary of prior coverage related to the audit objectives.

## **Discussion**

**BRAC MILCON Requirements.** DLA projected a requirement for a 60,000-square-foot hazardous material storage addition to warehouse 28 at DDRW. The project is required to facilitate the transfer of hazardous materials stored at Defense Distribution Depot Ogden, Utah.

**BRAC MILCON Space Requirements.** DLA properly justified the space requirement for the hazardous material storage addition to warehouse 28. DLA based the justification for the proposed 60,000-square-feet on criteria contained in the Army Regulation 415-28, Interim, February 1995. We reviewed the DD Form 1391 and supporting documents, including program requirements, for the hazardous material storage addition to warehouse 28, facility support requirements, and the facility study.

**BRAC MILCON Cost Requirements.** In March 1996, DLA certified that the proposed hazardous material storage addition to warehouse 28 was ready for design at a cost of \$8.4 million. DLA confirmed the costs using the "Standard Corps of Engineer MILCON Cost Estimating Guidelines," July 5, 1994. We reviewed the supporting cost estimates for the hazardous material storage addition to warehouse 28 and found them properly documented and supported.

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## Management Comments

We provided a draft of this report to you on May 1, 1996. Because the report contains no findings or recommendations, written comments were not required and none were received. Therefore, we are publishing this memorandum report in final form.

We appreciate the courtesies extended to the audit staff. For additional information on this report, please contact Mr. William C. Gallagher, Audit Program Director, at (703) 604-9270 (DSN 664-9270) or Mr. Douglas P. Neville, Audit Project Manager, at (703) 604-9460 (DSN 664-9460). See Enclosure 3 for the report distribution. The audit team members are listed inside the back cover.

*David K. Steensma*

David K. Steensma  
Deputy Assistant Inspector General  
for Auditing

Enclosures

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## **Background of Defense Base Realignment and Closure and Scope of the Audit of FY 1997 Defense Base Realignment and Closure Military Construction Costs**

**Commission on Defense Base Closure and Realignment.** On May 3, 1988, the Secretary of Defense chartered the Commission on Defense Base Closure and Realignment (the Commission) to recommend military installations for realignment and closure. Congress passed Public Law 100-526, "Defense Authorization Amendments and Base Closure and Realignment Act," October 24, 1988, which enacted the Commission's recommendations. The law also established the Defense Base Closure Account to fund any necessary facility renovation or MILCON projects associated with BRAC. Public Law 101-510, "Defense Base Closure and Realignment Act of 1990," November 5, 1990, reestablished the Commission. The law also chartered the Commission to meet during calendar years 1991, 1993, and 1995 to verify that the process for realigning and closing military installations was timely and independent. In addition, the law stipulates that realignment and closure actions must be completed within 6 years after the President transmits the recommendations to Congress.

**Required Defense Reviews of BRAC Estimates.** Public Law 102-190, "National Defense Authorization Act for Fiscal Years 1992 and 1993," December 5, 1991, states that the Secretary of Defense shall ensure that the authorization amount that DoD requested for each MILCON project associated with BRAC actions does not exceed the original estimated cost provided to the Commission. Public Law 102-190 also states that the Inspector General, DoD, must evaluate significant increases in BRAC MILCON project costs over the estimated costs provided to the Commission and send a report to the congressional Defense committees.

**Military Department BRAC Cost-Estimating Process.** To develop cost estimates for the Commission, the Military Departments used the Cost of Base Realignment Actions computer model. The cost of Base Realignment Actions computer model uses standard cost factors to convert the suggested BRAC options into dollar values to provide a way to compare the different options. After the President and Congress approve the BRAC actions, DoD realigning activity officials prepare a DD Form 1391, "FY 1997 Military Construction Project Data," for each individual MILCON project required to accomplish the realigning actions. The cost of Base Realignment Actions computer model provides cost estimates as a realignment and closure package for a particular realigning or closing base. The DD Form 1391 provides specific cost estimates for an individual BRAC MILCON project.

**Limitations and Expansion to Overall Audit Scope.** Because the Cost of Base Realignment Actions computer model develops cost estimates as a BRAC package and not for individual BRAC MILCON projects, we were unable to determine the amount of cost increases for each individual BRAC MILCON

## **Background of Defense Base Realignment and Closure and Scope of the Audit of FY 1997 Defense Base Realignment and Closure Military Construction Costs**

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project. Additionally, because of prior audit efforts that determined potential problems with all BRAC MILCON projects, our audit objectives included all large BRAC MILCON projects.

**Overall Audit Selection Process.** We reviewed the FY 1997 BRAC MILCON \$820.8 million budget submitted by the Military Departments and the Defense Logistics Agency. We excluded projects that were previously reviewed by DoD audit organizations. We grouped the remaining BRAC MILCON projects by location and selected groups of projects that totaled at least \$1 million for each group. We also reviewed those FY 1996 BRAC MILCON projects that were not included in the previous FY 1996 budget submission, but were added as part of the FY 1997 BRAC MILCON budget package.

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## Summary of Prior Audits and Other Reviews

Since 1991, numerous audit reports have addressed DoD BRAC issues. This enclosure lists the summary reports for the audits of BRAC budget data for FYs 1992 through 1996 and BRAC audit reports published since the summary reports.

### Inspector General, DoD

96-158	Defense Base Realignment and Closure Budget Data for the Redirect of the 726th Air Control Squadron From Shaw Air Force Base, South Carolina, to Mountain Home Air Force Base, Idaho	June 11, 1996
96-154	Defense Base Realignment and Closure Budget Data for the Realignment of the National Airborne Operations Center to Wright-Patterson Air Force Base, Ohio	June 10, 1996
96-147	Defense Base Realignment and Closure Budget Data for the Closure of Naval Training Center Orlando, Florida, and Realignment of Maintenance and Storage Facilities to Taft U.S. Army Reserve Center, Orlando, Florida	June 6, 1996
96-144	Defense Base Realignment and Closure Budget Data for the Realignment of Grissom Air Reserve Base, Indiana	June 6, 1996
96-142	Defense Base Realignment and Closure Budget Data for the Closure of Bergstrom Air Reserve Base, Texas and Realignment of the 10th Air Force Headquarters to Naval Air Station Fort Worth, Joint Reserve Base, Texas	June 5, 1996
96-139	Defense Base Realignment and Closure Budget Data for the Closure of Griffiss Air Force Base and Realignment of Rome Laboratory and Northeast Air Defense Sector, Rome, New York	June 3, 1996
96-137	Defense Base Realignment and Closure Budget Data for the Realignment of March Air Force Base, Riverside, California	May 31, 1996



## Summary of Prior Audits and Other Reviews

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### Inspector General, DoD (cont'd)

96-136	Defense Base Realignment and Closure Budget Data for the Closure of Gentile Air Force Station, Dayton, Ohio, and Realignment of Defense Logistics Agency Components to Wright-Patterson Air Force Base, Ohio	May 31, 1996
96-135	Defense Base Realignment and Closure Budget Data for the Fleet Anti-Submarine Warfare Training Center Pacific, San Diego, California	May 30, 1996
96-131	Defense Base Realignment and Closure Budget Data for Realigning Elements of Headquarters, Department of the Navy, to the Washington Navy Yard	May 28, 1996
96-128	Defense Base Realignment and Closure Budget Data for the Naval Training Center Great Lakes, Illinois	May 24, 1996
96-127	Defense Base Realignment and Closure Budget Data for the Closure of Roslyn Air National Guard Base and Realignments to Stewart Air National Guard Base, New York	May 23, 1996
96-126	Defense Base Realignment and Closure Budget Data for the Realignment of Rickenbacker Air National Guard Base, Ohio	May 21, 1996
96-122	Defense Base Realignment and Closure Budget Data for the Realignment of the Air Education and Training Command at Vandenberg Air Force Base, California	May 17, 1996
96-119	Defense Base Realignment and Closure Budget Data for the Construction of a Multiple Purpose Facility at Fort McCoy, Wisconsin	May 14, 1996
96-118	Defense Base Realignment and Closure Budget Data for the Medical and Dental Clinic Expansion Project at Naval Weapons Station Charleston, South Carolina	May 13, 1996

## Summary of Prior Audits and Other Reviews

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### Inspector General, DoD (cont'd)

96-116	Defense Base Realignment and Closure Budget Data for the Relocation of Deployable Medical Systems to Hill Air Force Base, Ogden, Utah	May 10, 1996
96-112	Defense Base Realignment and Closure Budget Data for the Closure of Naval Air Station Cecil Field, Florida, and Realignment of the Aviation Physiology Training Unit to Naval Air Station Jacksonville, Florida	May 7, 1996
96-110	Defense Base Realignment and Closure Budget Data for the Realignment of the 301st Rescue Squadron, Air Force Reserve, From Homestead Air Force Base, Florida, to Patrick Air Force Base, Florida	May 7, 1996
96-108	Defense Base Realignment and Closure Budget Data for the Naval Shipyard, Philadelphia, Pennsylvania	May 6, 1996
96-104	Defense Base Realignment and Closure Budget Data for the Construction of the Overwater Antenna Test Range Facility at Newport, Rhode Island	April 26, 1996
96-101	Defense Base Realignment and Closure Budget Data for the Closure of Naval Air Station Barbers Point, Hawaii, and Realignment of P-3 Aircraft Squadrons to Naval Air Station Whidbey Island, Washington	April 26, 1996
96-093	Summary Report on the Audit of Defense Base Realignment and Closure Budget Data for FYs 1995 and 1996	April 3, 1996
94-040	Summary Report on the Audit of Defense Base Closure and Realignment Budget Data for FYs 1993 and 1994	February 14, 1994
93-100	Summary Report on the Audit of Defense Base Closure and Realignment Budget Data for Fiscal Years 1992 and 1993	May 25, 1993

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## **Audit Team Members**

This report was prepared by the Contract Management Directorate, Office of the Assistant Inspector General for Auditing, DoD.

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